

Delaware State Housing Authority's Moving to Work Program

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Introduction

In May 1999, the Delaware State Housing Authority (DSHA) joined the U.S. Department of Housing and Urban Development's (HUD's) national Moving to Work (MTW) demonstration. The MTW demonstration provides housing authorities with the regulatory flexibility to design housing programs that will achieve the broad goals of: providing work incentives to promote resident self-sufficiency; increasing housing choice; and reducing program costs.

The housing authorities participating in the MTW demonstration are experimenting with a variety of modifications to their existing housing programs. Under MTW, DSHA has made several changes to its public housing and Section 8 programs, including:

- combining the public housing and Section 8 waiting lists;
- creating a “capped” rent structure that includes a resident savings account;
- limiting housing assistance for non-elderly, non-disabled families to five years; and
- providing residents with case management and supportive services.

In addition, DSHA agreed to receive its annual HUD funding as a single block grant for the length of the demonstration.

The Delaware State Housing Authority operates a public housing program of 517 units in 10 developments and administers approximately 800 Section 8 vouchers and certificates in Kent and Sussex Counties. The two counties have a combined population of approximately 283,000, approximately one third of the population of the state. Kent and Sussex Counties are largely rural, although Kent County is home to the City of Dover, the state capital and the only metropolitan area in DSHA's jurisdiction.

Relative differences in income, education, and employment levels between the two rural counties (Kent and Sussex) and Delaware's urban county, New Castle County, will require a creative response on the part of DSHA in implementing its MTW program. These differences, however, are not viewed as significant impediments to the program. In 2000, the unemployment rate was 4.2 percent in Kent County and 4.4 percent in Sussex County, compared to 3.8 percent in New Castle County. Although Sussex County's unemployment rate was above the state and national rate of four percent in 2000, it was well below the historical levels of five and six percent that until recently were used to gauge full employment. Kent County's slightly stronger job market was largely fueled by the City of Dover. In both counties, however, much of the job growth predicted for the next five years is expected to be in relatively low skill, low wage occupations. Local housing market data suggest a high level of need for affordable rental housing, particularly among extremely low income households.

This report reviews DSHA's MTW program implementation since August 1999 and discusses the agency's progress toward meeting its internal objectives and those of the demonstration as a whole. The report is based primarily on interviews conducted by Abt Associates in February 2001 and May 2001 with DSHA staff and residents. The report also includes information provided by DSHA staff on program modifications and initiatives since May 2001. Finally, the report draws upon statistical data on MTW participants that DSHA has collected over the course of the demonstration.

Program Design and Objectives

DSHA's Moving to Work demonstration was originally designed to coordinate with the state's multi-agency welfare reform initiative, known as A Better Chance (ABC). ABC was implemented in May 1995 with the broad goal of moving welfare recipients into employment and toward economic self-sufficiency with the assistance of supportive services. ABC places time limits on welfare receipt and imposes financial penalties when clients do not comply with work requirements. In designing the MTW program, DSHA staff anticipated that a significant portion of MTW participants would be enrolled in ABC. Like ABC, DSHA's program targets non-elderly non-disabled families.¹ The agency sought to complement ABC's efforts by providing affordable housing to families making the transition out of welfare, with incentives for employment and income growth. As a result, some of the key components of DSHA's MTW program design – such as case management, time limits, work requirements, and sanctions – are based on the ABC model.

The objectives of DSHA's MTW program closely mirror those of the national demonstration. The following discusses the components of DSHA's program designed to meet these objectives.

Promoting Administrative Simplicity and Reducing Program Costs

DSHA's MTW program seeks to achieve cost effectiveness in program administration through three principal means: (1) combining the Section 8 and public housing waiting lists; (2) increasing the number of households served by increasing tenant rents and limiting housing assistance to five years; and (3) combining public housing operating subsidies, modernization funds, and Section 8 funding into a single block grant.

As part of the MTW demonstration, DSHA chose to combine its public housing and Section 8 waiting lists and establish a single set of waiting list preferences and procedures. The decision to combine the waiting lists followed from prior decisions that both public housing and Section 8 should be included in the demonstration and that the existing federal preferences should be eliminated. The combined waiting list was also designed to address a

¹ All DSHA public housing and Section 8 families are required to participate in MTW. Elderly or disabled adult heads of household, adult heads or spouses at least 57 years of age, and adults caring for a disabled child in the home are exempt from the program.

vacancy problem in DSHA's public housing that staff believed had been aggravated by families turning down available public housing in order to place themselves on the waiting list for a Section 8 voucher.

Under MTW, families apply for housing assistance and are offered the first available public housing unit or Section 8 voucher. If they refuse the housing, their names are removed from the waiting list and they have to reapply. Elderly and disabled applicants, who are exempt from the major provisions of DSHA's MTW program, may remain on the waiting list until the housing program of their choice becomes available. DSHA selects applicants from the waiting list in chronological order, subject to a general residency (ranking) preference (Kent and Sussex Counties) and DSHA preferences for families who are employed, enrolled in the State's welfare program, or are elderly or disabled.

In addition to combining the public housing and Section 8 waiting lists, DSHA revised its rent policies to make housing assistance more cost effective. First, DSHA increased the residents' share of the total tenant payment from 30 to 35 percent of adjusted income. DSHA originally intended to use the increased revenue resulting from this change to assist additional families. Recent changes in DSHA's program have caused the bulk of the increased revenue to be invested in a match for Individual Development Account (IDA) savings accounts and increased resident services. Second, DSHA has placed a time limit on housing assistance for all families in MTW, excluding the elderly and disabled. For the first two years of program operations, this time limit was three years, with a possible one-year extension. As of August 2001, the time limit was extended to five years, with the possibility of extension in exceptional circumstances.² The time limits are designed to reduce long-term receipt of housing assistance and to free up subsidy to serve additional families.

The third element of DSHA's MTW demonstration designed to promote cost effective program administration is the block granting of operating subsidies, modernization funds, and Section 8 budget authority into a single, authority-wide funding source. DSHA's block grant authority is designed to simplify shifts in funding to needed areas without cumbersome paperwork and approvals, and to reduce paperwork requirements in general. The fungibility of various programs has allowed DSHA to shift funds needed for resident services, expanded community facilities, and a new Section 8 homeownership program, and to provide a generous IDA program match. The reduction in paperwork has largely not occurred because of the different mechanisms for funding the various HUD programs and because HUD has requested separate submissions not called for under DSHA's MTW agreement. As a result, DSHA has been required for audit purposes to continue to track each federal program as it previously had done. Nevertheless, DSHA finds the unified MTW reporting format to be a

² MTW participants may request extensions from the DSHA Waiver Board under the following circumstances: if the participant has experienced short-term catastrophic illness; has been terminated from employment for reasons unrelated to job performance *and* the state unemployment rate exceeds 7.5 percent; or is in good standing with the MTW program but requires additional time as determined by DSHA staff.

valuable management tool in analyzing its rental subsidy programs from a holistic perspective.

Providing Work Incentives to Encourage Resident Self Sufficiency

The primary goal of DSHA's MTW program is to "make work pay." As a result, the program has several features designed to promote resident employment and self-sufficiency. First, a *capped rent structure* coupled with a resident *savings account* is designed to encourage families to increase their income and savings. In addition, all MTW participants receive *case management* services to assist them in meeting individualized self-sufficiency goals. Finally, DSHA's participants must be continually employed and/or participating in a job training/job search program for as long as they receive housing assistance under MTW. Together with the five-year time limit on housing assistance, these program features are intended to motivate families to move from welfare to work and from low-wage employment to self-sufficiency.

Capped Rent Structure

DSHA's rent structure under MTW has evolved over time, with changes made during the first and third years of the demonstration. The current structure is based on the principle that as families enter the MTW program, their share of the rent is fixed, enabling them to save 100 percent of any earnings increases. The resident's share of the rent at entry into the MTW program is initially calculated as 35 percent of adjusted household income. Based on this calculation, residents fall under one of the following "rent caps":

- If the resident's monthly share of the rent at entry into MTW (based on 35 percent of adjusted income) is less than the utility allowance for the unit or \$120, the resident's share of the rent will remain at 35 percent of income until it reaches \$120 per month or the amount of the utility allowance, whichever is higher. At that point, the resident's share of the rent is "capped" (fixed) at that level. Thereafter, as the resident's income increases, DSHA deposits the difference between the rent cap and the amount the rent would be if it were based on 35 percent of income into a savings account for the resident.
- If the resident's monthly share of the rent at entry into MTW is greater than or equal to \$350 per month, the resident's share of the rent is capped at \$350 per month. Thereafter, if the resident's income increases, DSHA places the difference between the rent cap and 35 percent of adjusted income into a savings account for the resident.³
- If the resident's share of the rent at entry into MTW (based on 35 percent of adjusted income) is greater than \$120 per month or the utility allowance but lower than \$350 per month, the rent cap is set at that amount. Thereafter, if the resident's income increases,

³ This upper rent cap took effect August 1, 2001. At that date, program participants paying over \$350 per month based on 35 percent of adjusted income had their rent cap reduced to \$350.

DSHA places the difference between the rent cap and 35 percent of adjusted income into a savings account for the resident.

- If the resident's income decreases during the course of the year, the resident's share of the rent is adjusted down to 35 percent of income. At this point, a new rent cap will be established for the resident and the resident will not contribute to the savings account until the resident's income increases again. This provision applies to all MTW program participants.⁴

DSHA's rent policy under MTW is intended to help clients achieve self-sufficiency while reducing program costs. In particular, the rent caps and savings account are designed to encourage participants to increase their income through employment or higher wages and save toward homeownership or unsubsidized rental housing at the end of the five-year period.

Savings Account

After a family enters MTW and their rent cap is established, the difference between the rent cap and the family's share of the rent based on 35 percent of adjusted income is placed into a savings account. DSHA created a mandatory savings account in the MTW program in order to help families accrue sufficient savings to improve their housing options at the end of the five-year period of assistance. In the words of DSHA's Housing Management Program Administrator, the savings account is "the hallmark of making work pay." DSHA's goal is that a substantial number of MTW families will be able to afford a down payment on a home at the end of the five years.

Prior to August 2001, the MTW savings accounts were administered differently in the public housing and Section 8 programs. In public housing, MTW participants were required to write two checks each month to DSHA – one for the rent and one for the savings account. DSHA's public housing management staff were responsible for depositing the savings into a savings account in the family's name. In the Section 8 program, participants were responsible for depositing the designated amount into a savings account themselves. However, a number of public housing and Section 8 families did not meet their savings obligations. As a result, DSHA now requires that all MTW participants pay the full amount of the rent and savings to their landlord, with a single check. By directly administering the savings accounts for both public housing and Section 8 residents, DSHA can internally ensure that savings accounts are fully funded first out of subsidies received, with any discrepancy in monies owed handled as tenant rent for both programs.

DSHA staff monitor the savings account balances of all MTW participants and make the full amount of the savings account available to participants when they successfully leave the

⁴ This policy took effect August 1, 2001. Prior to that date, DSHA did not reduce the resident's share of the rent following a loss of resident income, unless the resident lost income through no fault of their own.

program.⁵ While they are in the program, however, participants may only draw from their savings account for a limited number of purposes, including: necessary or unavoidable car repairs to maintain transportation to employment or education; emergency medical care (including dental and vision examinations and treatment); down payments for primary transportation; or other circumstances as approved by DSHA. MTW participants who wish to draw from their savings account must request prior approval from their case manager and document their need.

In November 2001, DSHA added an IDA program to complement the MTW savings account. MTW participants who qualify for the IDA program and are saving at least \$25 per month will have the opportunity in the IDA program to receive matching funds of up to \$1,500 upon successful completion of both MTW and IDA commitments. Prior approval from DSHA case managers and the IDA administering agency (First State Community Loan Fund) will be required for all IDA fund disbursements.

Case Management and Supportive Services

Case management and social services are central to DSHA's MTW program. According to DSHA's Housing Management Program Administrator, DSHA's program is fundamentally a case management program. Most DSHA staff view case management and access to supportive services as critical to improving resident self-sufficiency in a time-limited environment, especially given the local challenges to employment and income growth.

Participants in DSHA's MTW program can take advantage of case management services almost as soon as they sign their MTW contract, the Contract for Mutual Participation (COMP). In order to receive housing assistance, each MTW participant must sign a COMP, which spells out the requirements of the MTW program. Upon signing the COMP, MTW participants are contacted by their designated case manager and complete a Resident Action Plan (RAP) within thirty days. The RAP is designed to assess participants' needs and identify services available to meet those needs. If a participant is not employed, the RAP will specify the job training and/or job search activities the participant must undertake in order to meet the program's work requirement.

DSHA uses different case management providers for its public housing and Section 8 residents. MTW participants in public housing receive case management from dedicated DSHA staff. Section 8 participants receive case management from two outside agencies, People's Place and First State Community Action Agency, who work under contract to DSHA and the State. These agencies are funded through the federal Community Services Block Grant, administered by the Department of Health and Social Services.

In public housing, DSHA case management staff visit each development at least twice a week and meet with MTW participants at least quarterly to review their progress against the

⁵ DSHA defines a successful exit from MTW as a move into unsubsidized housing.

RAP. In the Section 8 program, case managers from People's Place and First State Community Action Agency conduct quarterly home visits to review participants' progress. These case managers also report that they have additional contact with their clients through office visits and telephone calls.

Through case management, DSHA's MTW program aims to increase access to supportive services for program participants. To realize this goal, DSHA has formed partnerships with several local agencies and nonprofit service providers. These partnerships include:

- A partnership with the Department of Transportation and the Delaware Transit Corporation (DTC) to provide vans to transport DSHA's public housing and Section 8 residents to work and to childcare providers.
- DSHA has signed a Memorandum of Understanding with the Department of Labor and Division of Social Services to give shared services and resources to MTW clients. Currently, the Department of Labor provides job readiness training to MTW clients.
- DSHA has contracted with NCALL, a nonprofit housing counseling agency, to provide counseling to MTW participants on homeownership, fair market housing, and credit repair.
- DSHA is participating under a successfully funded IDA program in which MTW participants who qualify for the IDA program and are saving at least \$25 per month will be able to have their savings matched up to \$1,500. DSHA anticipates that as many as 200 MTW participants will be able to avail themselves of this opportunity to save for a home, a business, or education.

In addition to providing services through these partnerships, DSHA also makes other supportive services available at its public housing developments. DSHA staff reported that some of the sites have computer training classes, GED testing (one of the case managers performs GED testing), and childcare services. Section 8 participants also have access to services provided by the outside case management agencies, People's Place and First State Community Action Agency. These include a range of counseling services – from budgeting and homeownership, to mental health, substance abuse, and basic life skills.

To emphasize the program's seriousness, the public housing and Section 8 case managers are responsible for recommending that DSHA issue "strikes" against MTW participants who do not comply with the requirements of the program. A strike may be issued for any of the following reasons: failure to comply with the RAP; discharge from employment because of a performance deficiency or voluntary terminating employment unless reemployed within 30 days;⁶ refusal to comply with school district attendance requirements for school-age children;

⁶ If a participant is discharged from employment for reasons unrelated to his or her job performance (e.g., lack of training, layoffs due to downsizing, and seasonal employment), a strike will not be issued.

and failure to provide DSHA with satisfactory proof of compliance with program obligations.⁷

MTW participants may receive two warning strikes without penalty. Upon receipt of a third strike, DSHA terminates housing assistance and the participant has the choice of paying the full amount of the rent or facing eviction. Strikes are permanent – that is, they stay with participants for the duration of the program. MTW case managers are responsible for recommending that strikes be issued (for example, for failure to meet the work requirement), but they do not actually issue the strikes. In public housing, the public housing manager issues strikes. In the voucher program, DSHA's Section 8 Occupancy Supervisor issues strikes. DSHA's Housing Management Program Administrator must approve the issuance of a third strike. To date, no MTW participant has reached three strikes. In the Section 8 program, however, DSHA has terminated subsidy for a handful of families who refused to sign a RAP.

Increasing Housing Choice

DSHA's MTW program is designed to increase housing choice for participants through several means. First, the capped rent structure and savings account are designed to help families accrue enough savings to put a down payment on a home or to rent on the private market. For residents with sufficient income and credit to pursue homeownership, DSHA offers a limited homeownership program focused on homes in the \$80,000 to \$90,000 price range.⁸ DSHA may also refer families to various homeownership and loan assistance resources in the community. In addition, DSHA's partner agency, NCALL, provides financial literacy counseling, fair housing counseling, and homeownership counseling to DSHA residents. DSHA's recent participation in a statewide IDA program is an important new development for MTW participants. To date, DSHA has committed \$300,000 from its reserves to fund the program, with an additional \$300,000 in grant money, making the total pool available to match an estimated 200 MTW savings accounts at \$600,000. The IDA program will be available to MTW participants and TANF recipients.

In addition to initiatives aimed at increasing homeownership, DSHA plans to work with Low Income Housing Tax Credit (LIHTC) site owners to enable MTW program graduates who are not ready for homeownership to move into LIHTC units as an interim step. Furthermore, DSHA hopes that some public housing participants will choose to remain in their units after their housing assistance is terminated. Making public housing units available at the Fair Market Rent to MTW graduates increases housing choice for these families while contributing to the mixed income model that DSHA hopes to achieve in its developments.

⁷ Prior to August 2001, a strike could be issued to an ABC participant who received a sanction or loss of welfare benefits from the ABC program. This provision was considered too punitive and has been repealed.

⁸ This program predates MTW and is not targeted to MTW participants, although qualified MTW residents may participate.

DSHA is also considering several changes to encourage working families to stay in public housing, such as creating site-specific market rents and upgrading its housing to make it more competitive with LIHTC units.

Program Implementation

DSHA submitted its initial application for the MTW demonstration in May 1997. The final agreement with HUD was signed in May 1999. The program was implemented in August 1999 for public housing residents and in November 1999 for Section 8 residents. As of June 2001, 703 households were participating in DSHA's MTW program – 343 households in public housing and 360 households in Section 8.

In January 2001, following a change in the state's political leadership, DSHA's Director, who had been involved in developing the MTW program, was replaced. Upon assuming her duties, the new Director asked Abt Associates Inc., DSHA's MTW technical assistance provider, to gather input from various stakeholders regarding DSHA's MTW program. Interviews conducted by Abt Associates in February 2001 identified positive aspects of the demonstration as well as the challenges of program implementation. This input helped DSHA to rethink certain elements of the program and contributed to the program changes described above. This section discusses the key areas of program implementation and DSHA's attempts to address the challenges that have emerged thus far.

Case Management and Social Services

The MTW program was conceived with the idea that there would be a strong partnership between DSHA and the other social service agencies in the state in order to meet the needs of program participants. DSHA estimated that approximately half of the households participating in MTW would be enrolled in the ABC program and, as a result, would receive case management assistance and supportive services from the Department of Health and Social Services. MTW participants who were not part of ABC, but nevertheless required substantial supportive services, would receive case management assistance through DSHA.

Once DSHA began to implement the MTW program, it found that a much smaller number of MTW participants than expected were enrolled in ABC. Recent program statistics confirm that only a modest percentage of MTW households receive benefits through ABC. As of December 2001, for example, only 15 percent of MTW Section 8 households and 20 percent of MTW public housing households were TANF recipients. DSHA believes this is because a large number of clients have already been sanctioned by ABC and have subsequently lost their benefits. In addition, many households became employed due to ABC's work requirement and stopped receiving TANF benefits prior to joining MTW.

Because of the lower than anticipated enrollment in the ABC program, DSHA found itself responsible for providing case management and supportive services to a larger proportion of

MTW participants than anticipated. In addition, DSHA discovered that the needs of these families were much greater than expected. Through its FSS program, DSHA already had experience with service coordination and managing resident escrow accounts. When DSHA implemented the MTW program, it folded its FSS program into MTW. DSHA's FSS Coordinator became the lead MTW case manager for public housing residents. In addition, DSHA assigned two more staff to MTW case management.

DSHA opted to contract out the case management of Section 8 participants for two reasons. First, DSHA did not have the resources to serve both public housing and Section 8 participants in house, and the case management services provided by People's Place and First State Community Action Agency are funded through the Community Services Block Grant. Second, DSHA felt that People's Place and First State Community Action Agency were better equipped to serve Section 8 participants, who are dispersed throughout the two rural counties. Finally, the MTW program offered DSHA an opportunity to experiment with this new model of service provision.

DSHA staff provided MTW training to both the in-house and outside case managers to ensure a common understanding of program goals, policies, and procedures. In addition, because of the importance of case management to the success of the program, DSHA hired a professional trainer to conduct specialized case management training.

Interviews with DSHA staff and community partners suggest that case management and supportive services are absolutely necessary for MTW participants to move toward self-sufficiency. However, many key stakeholders feel that the current case management program needs to be more intensive in order to be successful. They believe that more frequent and substantive contact between MTW participants and case managers would enable case managers to develop stronger relationships with participants and provide them with more effective guidance. The current DSHA case managers have large caseloads that prevent them from being able to work very intensively with MTW participants. In addition, the public housing case managers are required to travel between two to three sites to provide services to the residents. For example, in May 2001, when Abt Associates conducted interviews for this study, one DSHA case manager had a caseload of 118 clients between two public housing sites. At that time, the public housing case managers shared their opinion that additional case management staff should be hired to address this problem.

DSHA staff members also commented on difficulties that the outside case management agencies face in serving Section 8 participants. They believe that the Section 8 case managers have more limited access to program participants because the participants are spread throughout the two counties that DSHA serves. As a result, DSHA staff and case managers cannot monitor participants as effectively. It is also difficult to encourage Section 8 households to participate in services located at DSHA's public housing developments or at the case management agencies. The problem of accessibility has been exacerbated by the limited public transportation in lower Delaware – many Section 8 participants live in areas

where public transportation is non-existent. In addition, some participants do not have telephones in their homes.

It is important to note that the Section 8 case managers disagree with DSHA staff on this issue. The case managers interviewed from People's Place and First State Community Action Agency do not believe that geography has been a detriment to their services. They argue that they have overcome this problem by using their own cars to transport their clients and by providing clients with bus tickets to help alleviate their transportation needs. Further, one of the agencies has a program that makes used cars available to clients who need transportation to employment or education.

DSHA has recently learned that the state transportation agency has added a bus stop across the street from one of its more remote public housing developments. The bus route will provide transportation approximately 30 miles to Dover, which has not been available before. The agency is hopeful that this step will help alleviate some of the transportation issues for MTW participants in both public housing and Section 8.

For DSHA staff, another challenge to case management in the Section 8 program is the fact that the outside case managers are not housing specialists. This puts a premium on effective timely communication around residents' needs and issues, which can be difficult given that People's Place and First State Community Action Agency are large agencies that serve clients all over Kent and Sussex Counties. In an attempt to promote more effective communication and problem resolution, DSHA resident services staff now meet with the Section 8 case managers regularly.

Related to case management is the provision of supportive services. MTW was implemented with the idea that clients would have access to a wide range of social services. At the time of this study, DSHA staff members were evaluating ways to expand the range of social services available through MTW to meet program participants' needs. Currently, DSHA provides social services on site and refers participants to the Department of Health and Social Services and the Department of Labor for services not offered on site. The DSHA public housing managers expressed a desire for additional on-site supportive services, including more GED classes, additional childcare, and transportation assistance.

There is some debate, however, as to whether providing services on site would solve the problem. According to DSHA resident services staff, when the agency has provided services at its public housing developments in the past, residents have not always utilized the services fully. At the same time, DSHA is aware that it is difficult for clients to take advantage of services in other community agencies. This is primarily because these agencies generally have limited budgets and give priority to their own clients over DSHA participants. DSHA staff believe that on average, Section 8 participants need greater access to supportive services than public housing participants. However, Section 8 participants may in fact have the least access to services, particularly if they live in isolated rural areas with little access to public transportation.

Savings Account

Establishing savings accounts for all MTW families is an ambitious goal that has also proved challenging. It has been particularly difficult to implement for Section 8 participants. Prior to MTW, approximately 100 clients had savings accounts through DSHA's FSS program. DSHA's accounting staff handled the deposits for those clients. However, DSHA did not have the staff or administrative capability to handle the deposits for all MTW program participants. As a result, DSHA chose to require Section 8 participants to make the deposits themselves under MTW. The agency also believed that requiring participants to save for themselves was a good lesson in self-sufficiency. However, one and a half years into the demonstration, DSHA saw that this policy was not working, with approximately 80 percent of Section 8 participants having failed to make the required deposits to their savings accounts. DSHA staff members believe that Section 8 households resisted depositing money into the account because they did not view the savings as part of the required monthly rent.

Recognizing that the existing system was not working, DSHA changed its savings account procedures for Section 8 participants. As of August 1, 2001, Section 8 participants pay the full 35 percent of their adjusted income to their landlords, and DSHA deposits the savings portion (the difference between the 35 percent amount and the rent cap) into a savings account in the participant's name. DSHA felt that it was important to make this change so that Section 8 participants would have the opportunity to save as much as possible while on the program. MTW participants in both public housing and Section 8 now write a single check for rent, with the savings amount taken directly by DSHA from the rent subsidy pool and deposited into their account. DSHA notifies participants of their savings account balance on a monthly basis.

One of the challenges of this new approach is helping participants to understand that the savings account will be their own savings when they graduate from the MTW program. Because participants must obtain permission from their case managers to draw from the savings account and can do so for only a limited set of purposes, the case managers report that many participants are confused as to whether the funds are really theirs. Communicating clearly the purpose and workings of the savings account to program participants, as well as keeping participants abreast of growth in their savings, will be essential to realize the potential of this program feature as an incentive for resident employment and earnings growth.

Time Limits

DSHA's MTW program was one of the more aggressive plans in terms of time limits. The agency entered MTW with the goal of three years of housing assistance for all MTW-eligible participants. As the demonstration progressed, DSHA realized that a majority of its residents would not be in a position to move out of subsidized housing in three years. DSHA therefore requested an amendment from HUD to extend the program time limits to a full five years. DSHA and its community partners agree that this is a reasonable time frame for residents to

increase their education, job skills, and income in order to make a successful transition into market rate housing. The new five-year time limit took effect on August 1, 2001.

Rent Policy

DSHA has also experimented with rent policies under MTW designed to encourage residents to work and to promote savings. The original rent policy calculated rent at 35 percent of adjusted income and included a \$120 cap for the lowest income participants. DSHA staff felt that this policy most benefited those participants coming into the program with no income or very low incomes, allowing them to save a significant amount each month once they started working. On the other hand, participants who were already working when the program began were paying more in rent and had little opportunity to save. DSHA decided to institute a second rent cap of \$350 to benefit these higher income participants. As of August 1, 2001, all program participants with a rent cap higher than \$350 had their rent cap lowered to \$350 and are able to save the difference between \$350 and 35 percent of their income.

DSHA has also made other program changes related to the rent policy. First, DSHA changed the policy to allow a participant's rent to be adjusted if the participant experiences a loss of income. Participants who lose their job due to a performance deficiency or voluntary termination for more than 30 days will receive a strike, but will not face the additional penalty of having to pay the same rent as when they were employed. This removes what was in effect a double penalty in the original program. It remains to be seen, however, whether the threat of receiving a strike will provide sufficient incentive for participants to retain employment in the absence of any financial penalty.

In addition, DSHA has eliminated the policy that MTW participants receive an automatic MTW strike when they are sanctioned on the ABC program. Although coordinating DSHA strikes with ABC sanctions made sense at the beginning of the demonstration, it now seems overly punitive and cumbersome to manage.

Impact on MTW Participants

Quantitative Data on Participant Outcomes

DSHA has collected detailed data on MTW participants since the start of the demonstration in August 1999. Table 1 presents a snapshot of the demographic and income characteristics of MTW participants at three points in time – August 1999, May 2000, and June 2001.

Although the number of households served through the MTW program has declined over the course of the demonstration,⁹ the basic demographic characteristics of MTW participants have remained roughly the same. As shown in Table 1, the majority of households participating in MTW are female-headed families with children. In addition, over 80 percent

⁹ The reasons for this decline are discussed in the section on “Impact on the Organization.”

of household heads are African-American (this percentage has grown slightly among Section 8 households since the start of the demonstration). Further, the majority of MTW participants have been receiving housing assistance from DSHA for less than five years. As of June 2001, 81 percent of Section 8 households and 71 percent of public housing households had been receiving DSHA assistance for five years or less. These figures suggest that the MTW program's five-year time limit on housing assistance is not unreasonable for most participants, but may be a challenge for some, particularly those households who have received DSHA assistance for more than a decade (3 percent of Section 8 households and 9 percent of public housing households in 2001). These data also suggest that the challenges may be greater among public housing participants than among those in the Section 8 program.

The data presented in Table 1 suggest several changes in the income characteristics of MTW participants since the start of the demonstration. In June 2001, the average annual income among all families with income was \$11,448 in the Section 8 program and \$10,759 in the public housing program. Among families with income from wages, the average annual income was considerably higher, particularly among public housing households. Since the start of the demonstration, the percentage of Section 8 households with income from wages has grown significantly – from 53 percent in August 1999 to 66 percent in June 2001. DSHA attributes much of this growth to the establishment of a working preference in the Section 8 program, which took place at the start of the demonstration. In the public housing program, where the working preference was in place prior to MTW, there has been little growth in the percentage of households with income from wages, with this share ranging from 64 percent to 67 percent over the two years.

These data suggest that increasing numbers of MTW participants are becoming employed over the course of the demonstration. Among those households with income from wages, average annual incomes have increased at a rate that exceeds the rate of inflation. Among Section 8 participants with income from wages, the average annual income has increased from \$11,313 in 1999 to \$12,816 in 2001, a gain of approximately 13 percent. In public housing, the average annual income has increased by approximately 9 percent, from \$11,779 in 1999 to \$12,842 in 2001. This income growth among working MTW participants appears significant. In order to understand fully the impact of the MTW program's provisions on participant employment and income growth, however, the data need to be compared against a similar population of non-MTW households. Comparison among the several MTW sites experimenting with comparable rent policies may also yield insight.

Table 1**Demographic and Income Characteristics of MTW Participants, 1999 – 2001**

| | Section 8 | | | Public Housing | | |
|--|------------------------|-----------------------|-----------|------------------------|-----------------------|-----------|
| | Aug. 1999 ^a | May 2000 ^a | June 2001 | Aug. 1999 ^a | May 2000 ^a | June 2001 |
| Number of households | 529 | 499 | 360 | 375 | 377 | 343 |
| Percent female headed | 95% | 97% | 96% | 96% | 97% | 97% |
| Percent with minors | 92% | 94% | 93% | 96% | 96% | 96% |
| Race of household head | | | | | | |
| White | 19% | 17% | 18% | 12% | 14% | 17% |
| African-American | 78% | 80% | 82% | 82% | 83% | 83% |
| Other | 1% | 1% | 0% | 0% | 0% | 0% |
| Percent of household heads of Hispanic ethnicity | 3% | 2% | 3% | 4% | 3% | 2% |
| Length of time receiving DSHA housing assistance | | | | | | |
| 0 to 5 years | 80% | 81% | 81% | 75% | 77% | 71% |
| 6 to 10 years | 17% | 17% | 16% | 16% | 14% | 20% |
| 11 years and over | 3% | 3% | 3% | 10% | 9% | 9% |
| Percent of households with (non-zero) income | 93% | 93% | 95% | 97% | 96% | 93% |
| Average annual income | \$9,308 | \$9,833 | \$11,448 | \$9,797 | \$10,518 | \$10,759 |
| Percent of households with wage income | 53% | 54% | 66% | 64% | 67% | 66% |
| Average annual wage income | \$11,313 | \$12,400 | \$12,816 | \$11,779 | \$12,076 | \$12,842 |

^a For 1999 and 2000 data, race and ethnicity data are combined.

Sources: Delaware State Housing Authority, August 1999, May 2000, and June 2001 reports.

Exits from the Program

Since the start of the demonstration, 367 MTW participants have exited the program, 186 from Section 8 and 181 from public housing. Data available on reasons for leaving the MTW program suggest that approximately 32 percent of Section 8 households and 53 percent of public housing households who left the program did so voluntarily (see Table 2). Among these households, a significant percentage appear to have met the expectations of the program: 25 percent of Section 8 households who exited the program voluntarily and 28 percent of public housing households who exited the program voluntarily purchased a home, and an additional 20 percent of Section 8 households and 18 percent of public housing households moved into unsubsidized rental housing.

Table 2

Exits from the MTW Program, August 1999 – June 2001

| | Section 8 | Public Housing | Overall |
|--|-----------|----------------|-----------|
| Total number of exits | 186 | 181 | 367 |
| Left voluntarily | 60 (32%) | 96 (53%) | 156 (43%) |
| Evicted | 50 (27%) | 64 (35%) | 114 (31%) |
| Other | 76 (41%) | 21 (12%) | 97 (26%) |
| Number who left voluntarily | 60 | 96 | 156 |
| Purchased a home | 15 (25%) | 27 (28%) | 42 (27%) |
| Moved into unsubsidized rental housing | 12 (20%) | 17 (18%) | 29 (19%) |
| Moved into other subsidized housing | 8 (13%) | 18 (19%) | 26 (17%) |
| Married/moved in with other family | 11 (18%) | 16 (17%) | 27 (17%) |
| Other | 14 (23%) | 18 (19%) | 32 (21%) |

Sources: Delaware State Housing Authority MTW program exit data, August 1999 – June 2001.

Qualitative Perspectives on Participant Outcomes

Interviews with DSHA staff, outside case management staff, and MTW participants offer additional insight into the outcomes of the MTW program to date. One recurring theme is that some households are more likely than others to be successful in this program. In particular, DSHA staff have identified four basic categories of MTW participants that they expect to have different levels of success. The first category consists of households who in terms of their employment history and job skills are largely self-sufficient but who are in the program as a result of a temporary setback, such as an injury or short-term job loss. These households are expected to leave the program well before the five-year time limit. Other features of the MTW program – such as the work requirement and case management – are not expected to have a large impact on these households, given that they are already well on their way to self-sufficiency.

The second category of MTW participants have basic employment skills but need additional motivation and supportive services to make the transition from subsidized to unsubsidized housing. This category may include long-term Section 8 and public housing participants who were not motivated to work under the traditional housing programs. The DSHA staff members and MTW participants interviewed believe that the MTW program's time limits and work requirements are an important motivator for such households. As a result, they expect MTW to have a major positive impact on these households.

The third category of program participants includes households facing multiple barriers to self-sufficiency, such as drug and alcohol abuse, a lack of basic job skills, and bad credit. One highly motivated resident disclosed the fact that it took her eight years to overcome her barriers and achieve self-sufficiency. Over the eight-year period she had a child, received public assistance, worked, and went to school. At the time of our interview, she was ready to graduate with an Associate's degree and to stop receiving TANF benefits.

The fourth category of MTW participants includes households who face very significant challenges to obtaining viable employment and moving out of subsidized housing. Case managers and MTW participants are concerned that these households will require some form of "safety net" in order to ensure that they stay housed at the end of the five-year period of assistance. These residents may be older (but not elderly), lack skills appropriate to the current job market, and have physical or mental impediments (but not documented disability) that prevent them from becoming employed.

Discussions with program staff and participants also highlighted some of the barriers facing all MTW households. Transportation came up as a major issue in nearly every conversation with program participants. DSHA's public housing case managers confirmed that transportation presents a significant barrier for residents seeking employment for the first time or trying to maintain job stability. In general, Kent and Sussex Counties lack adequate public transportation. DSHA has implemented a van program for MTW participants, but as of May 2001, the program's success had been limited. Several MTW participants complained of the unreliability of the service and one participant claimed to have been dropped from the van route without explanation. Participants also expressed frustration that the vans are not available to be used for job search activities. Implementing the van program in partnership with the State Department of Transportation has been a learning process for DSHA. Now that the van program is up and running, DSHA is working to improve the reliability and capacity of the service.

MTW program participants identified childcare as another key challenge that they face in finding and retaining employment. Residents reported that accessibility to childcare is limited by their unorthodox work schedules. Entry-level jobs do not often accord with school schedules and new workers frequently must work swing shifts outside of the regular school hours, late at night or even early into the morning hours. Currently, one of DSHA's public housing developments has its own childcare center. Other DSHA developments have state-subsidized private day care providers on site.

MTW participants and DSHA staff also identified the local job market as a difficulty. Jobs are available to program participants, but many are at the low end of the pay scale. The MTW participants interviewed wanted greater access to education and training programs. They suggested that the available programs are not held at convenient times and are therefore not as well utilized as they could be.

Impact on the Organization

For all of the challenges that MTW has presented to DSHA, the overwhelming opinion of the DSHA staff has been that they prefer MTW to the previous housing program and do not want to go back to the old system. One of the elements of MTW that staff members strongly favor is the work requirement. The staff members feel that this requirement has motivated a significant number of clients to seek employment, receive job training, or enhance their education.

The waiting list staff in particular favor the combined waiting list, which has reduced their workload and proved to be administratively efficient. With the combined waiting list, intake staff spend less time verifying waiting list preferences, as they only need to confirm whether non-elderly non-disabled applicants are employed or on ABC, whereas under the previous system they had to confirm all the federal preferences. In addition, the waiting list has become much shorter, because clients are required to take the first housing option that becomes available to them. MTW-eligible applicants who refuse the housing option presented to them are dropped from the waiting list.

One result of the combined waiting list is that DSHA has experienced a trend of families refusing public housing when that option becomes available. Staff believe that applicants prefer to receive a Section 8 voucher, and when that option is not available they seek other housing in the community. In particular, DSHA believes that some applicants who refuse public housing are choosing tax credit properties. This is a mixed blessing for DSHA. On the one hand, it is encouraging, as it may be an indication that applicants have more income to spend on housing. On the other hand, it creates a potential occupancy problem for DSHA and points to the need for the agency to examine the competitiveness of its properties in the market. DSHA has begun such an effort, and is considering capital improvements to improve the positioning of its properties in the market.

The combined waiting list has had other unintended consequences. In 2001, the number of MTW families served by the public housing program decreased by 8 percent. The number of MTW families served by the Section 8 program decreased by 27 percent. According to DSHA, this is due to the preference structure for admission for both programs. Prior to MTW, when DSHA used the federal preferences, many elderly and disabled families did not qualify for the preferences and languished at the bottom of the waiting list for a long period of time. When DSHA got rid of the federal preferences, elderly and disabled families rose to the top of the waiting list based on the chronological order of their application. As a result,

although DSHA is serving approximately the same number of households agency-wide, the number of MTW-eligible families has decreased. Thus, the current policy seems to be working at cross-purposes with the goal of DSHA's MTW program. DSHA staff, however, believe that most of the elderly and disabled households that had been on the waiting list have now been served and that this trend should level out.

Staff members also mentioned that DSHA has thus far not been able to realize the cost savings it had expected from the MTW program. In fact, they stated that MTW has increased their administrative burden. This is in large part because DSHA introduced programmatic elements that were not present prior to the demonstration, making the program administratively complex. For example, under MTW, DSHA staff members have to process COMPs for all new clients enrolled in public housing and Section 8. At the start of the demonstration, staff had to enroll all existing clients as well, which was an intense program start-up effort. DSHA's public housing managers also noted that it takes much longer to explain the MTW program than it did to explain the regular public housing program. Whereas it used to take 45 minutes to 1 hour to review the lease and explain the program at move-in, it now takes 1.5 to 2 hours per household to go through the COMP in detail.

The time required to explain the program is also a concern for intake staff in the Section 8 program. The Section 8 staff are under pressure to ensure that the program is leased-up, and as a result may not have time to explain the program as thoroughly as they would like. Section 8 participants receive most of the information about the program from the housing inspectors, who review and sign the COMP with the participants. This model presents an interesting dilemma for the MTW program in that applicants may only have a cursory understanding of the program at intake if detailed information is not presented until move-in. In fact, once an applicant receives their housing voucher it may be months before they sign the COMP, then another month before they complete their RAP. Aware of this drawback, DSHA is planning to prepare an MTW informational video that will help the agency send a consistent message to all new MTW participants.

Another contributing factor to the lack of cost savings is that in August 2001, public housing managers had to recalculate rent for all program participants whose rent exceeded the new upper rent cap of \$350. DSHA's public housing and Section 8 staff also have to complete additional paperwork related to the MTW savings account. Furthermore, the issuance of strikes and the verification process and communication process associated with strikes have contributed to the workload as well. In addition, because of the requirements of lease enforcement and documentation necessary for eviction, the housing managers must issue the strikes. As a result, even if a strike is being issued for an infraction that the case managers are most familiar with (such as a missed case management appointment), the housing managers are responsible for issuing the strike. This preserves the "helping" relationship between case managers and program participants and reinforces the housing managers' role as lease enforcers, but it does little to reduce staff workload.

The fact that DSHA is a MTW block grant site has also had an impact on the agency. The block grant gives DSHA the flexibility to merge operating subsidy, capital fund, and Section 8 funds to meet local housing needs. To date, DSHA has used the funding flexibility provided under the block grant to fund the additional case management and supportive services costs that the agency has incurred as part of MTW. In the near future, because of the unexpected availability of Section 8 funds not required for voucher issuance, DSHA will expand two public housing community buildings and institute a Section 8 homeownership program in addition to the social services previously mentioned. These activities, using Section 8 funds, would not be possible without the block grant authority that DSHA enjoys.

In spite of the increased workload and the administrative complexities that the program has introduced, DSHA staff understand that MTW is a demonstration program and that DSHA is going through a learning experience. They see the benefits to the agency and to the residents of the MTW rent structure, work requirement, and case management, and are interested in learning as much from the demonstration as possible.

Program Outlook

DSHA's MTW program is complex. Together, its many elements – rent caps, savings accounts, strikes, time limits, and case management – aim to strike a balance between providing strong incentives for work and income growth and accommodating the diverse needs and circumstances of program participants. The basic design of the program, particularly the work requirement and attempt to untie rent from household income, enjoys great support among staff and local stakeholders. Furthermore, by modifying the program in certain critical areas, DSHA has attempted to respond to concerns raised during the program's early implementation. With these changes in place, it remains to be seen how participants will respond in terms of employment, income growth, and savings. Thus far, the growth in employment and income is promising.

DSHA's leadership, staff, and local stakeholders agree on the importance of case management in assisting program participants to meet their employment and savings goals and "break the cycle" of dependence on housing assistance among long-term residents. The ability of MTW case managers to provide effective services to clients in both public housing and Section 8 will thus be a critical factor in the program's long-term success. Program participants and their case managers face many challenges – low levels of education and job skills among participants, the relative scarcity of jobs paying a living wage, and the lack of public transportation in rural parts of Kent and Sussex Counties. However, the success of those program participants who have obtained and retained employment and begun to save toward homeownership suggests that these challenges can be overcome. Future analysis of the program will reveal to what extent this success can be achieved by most or all program participants, and whether the current program is able to achieve a successful balance among work incentives, supportive services, and cost effective program administration.